



WALT DISNEY
PRODUCTIONS

Annual Report

To Shareholders and Employees

FISCAL YEAR ENDED OCTOBER 1, 1960



Walt Disney Productions

500 South Buena Vista Street, Burbank, Calif.



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Board of Directors

†Walter E. Disney	Burbank, California
*Roy O. Disney	Burbank, California
John E. Barber	Pasadena, California
*Gunther R. Lessing	Burbank, California
William H. Anderson	Burbank, California
*E. Cardon Walker	Burbank, California
Gordon E. Youngman	Beverly Hills, California

Youngman, Hungate and Leopold — Attorneys

†Executive Producer — in Charge of All Production

*Member, Executive Committee

Officers

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William H. Anderson	Vice President — Studio Operations
E. Cardon Walker	Vice President — Advertising and Sales
Donn B. Tatum	Vice President — Television Sales
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Lawrence E. Tryon	Treasurer
Orbin V. Melton	Assistant Treasurer
Donald A. Escen	Assistant Treasurer

STOCK TRANSFER
AGENTS: Bank of America, N.T. & S.A., Los Angeles, California
Bankers Trust Company, New York, N.Y.

STOCK REGISTRARS: California Bank, Los Angeles, California
City Bank Farmers Trust Company, New York, N.Y.

STOCK EXCHANGES: The common stock of the Company is listed for trading on the New York and Pacific Coast Stock Exchanges.

ANNUAL MEETING OF
STOCKHOLDERS: First Tuesday in February at the offices of the Company, 500 South Buena Vista Street, Burbank, California.

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WE'RE ON THE COVER BECAUSE WE'RE
THE STARS OF "ONE HUNDRED
AND ONE DALMATIANS"

This report is distributed for the information of stockholders and employees of the Company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities nor is it to be considered a part of the proxy soliciting material of the Company for the annual meeting of its stockholders.

While my main concern, of course, is looking ahead to next year's product, I am exceedingly happy with the six pictures we have completed, or have near completion, for release during the coming twelve months.

We started the new season with the release at Christmastime of our lavish version of SWISS FAMILY ROBINSON. This world famous story was filmed on the Caribbean island of Tobago, and its tropical beauty added greatly to the exciting action. The cast is headed by those international favorites, John Mills and Dorothy McGuire, whose support included such fine performers as Janet Munro, James MacArthur, Sessue Hayakawa, Tommy Kirk and Kevin Corcoran.

Our next cartoon feature, ONE HUNDRED AND ONE DALMATIANS, is a humorous dog story based on the widely read novel by the English authoress, Dodie Smith. This cartoon will introduce some technical advancements which I believe enhance the work of our fine staff of animators.

Following DALMATIANS will be a live-action comedy THE ABSENT MINDED PROFESSOR with Fred MacMurray again heading up the cast for us. MacMurray won wide acclaim for his performance in THE SHAGGY DOG but all of us at the studio feel he is even funnier as the PROFESSOR. All of our preliminary showings indicate this picture will rival THE SHAGGY DOG for good wholesome fun.

Then we will have THE PARENT TRAP, a comedy-romance starring Hayley Mills, in which she gives an exceptional performance in a dual role as twin sisters who hatch a plot to reunite their estranged parents, played by Maureen O'Hara and Brian Keith. I think Hayley is one of the greatest little actresses the screen has uncovered in several decades.

Additionally, we have an unusual picture shot in Scotland, entitled GREYFRIARS' BOBBY, a different story of a lovable dog that captivates not only individuals, but a whole community.

Slated for release towards the end of the year is our version of James Oliver Curwood's famous novel, NOMADS OF THE NORTH. Three years in the shooting in the Canadian wilds, this is a new approach to nature pictures. It is one we think will be a surprise and meet with great public approval.

We have an important program and a busy production year ahead of us. It will include such outstanding subjects as Victor Herbert's famous BABES IN TOYLAND. Then we have another comedy with an intriguing plot entitled MOON PILOT.

BON VOYAGE, Marrijane and Joseph Hayes' engaging story of a traveling American family and their adventures abroad, is another of our top feature ventures. We also hope to put into production in the summer an exciting, dramatic version of Jules Verne's CASTAWAYS.

Concurrent with the foregoing theatrical product, we have in work what all of us feel is our most promising program of new subjects for television. These will be shown over the network facilities of NBC, in full color, beginning in the fall of 1961.

I look forward with great enthusiasm to the association with the National Broadcasting Company, opening up, as it does, an exciting new world of color, which we pioneered in the motion picture cartoon field. Color adds an all-important dimension for which we are thoroughly equipped. Anticipating our entrance into this broader field of color television, we have had camera crews traveling extensively for many months photographing shows around the globe. Some of our suggested program ideas are expressed in the pictures on pages 6 and 7.

All in all, the year ahead looks most promising and we have every confidence that it will be a success.

My sincere thanks to all in the organization for their fine efforts in the past year.

Walt Disney



In the event some stockholders may not have received my informal preliminary letter relative to the Company's results for the fiscal year ended October 1, 1960, which was mailed on November 21, 1960, below is a reprint of the letter.



WALT DISNEY PRODUCTIONS

500 SO. BUENA VISTA ST. • BURBANK, CALIFORNIA • CABLE ADDRESS: DISNEY

November 21, 1960

Dear Stockholder:

In a press release of last Thursday, November 17, we stated that the Board of Directors had declared a quarterly cash dividend of ten cents per share payable January 1, 1961 to stockholders of record December 16, 1960, and that a stock dividend was omitted.

The company's year-end audit and annual report to stockholders is in preparation, but it will not be completed and ready for mailing before early in January. In the meantime, we have had many requests from stockholders and from brokers for information on the company's results for the year ended October 1st last. In view of this, I am writing this informal report of the year's activities in order that all stockholders may be promptly informed.

As we have reported to you in the past, there has been a general softening in the motion picture theatrical market in most countries of the world. This is due, we feel, not only to the impact of television, but also to the fact that there is greater competition for the entertainment dollar everywhere. Household appliances, automobiles, tourism, various forms of recreation and many other things are now available in almost every country, whereas for years there has been a great shortage of many of these things. All this is competition for the motion picture entertainment dollar and, I think, shares the responsibility along with television for the more highly competitive nature of the business today.

In addition to this fact, there has recently been (unfortunately as we see it) a considerable leaning on the part of the public towards pictures involving violence, sex, and other such subjects. In this trend our pictures have been adversely affected. However, all such trends seem to run in cycles and already we notice a change occurring in several countries in favor of more acceptable family product. We have great confidence in our future in the picture business. Our last year's product was a good lineup of pictures, but it disappointed us in its performance at the box office. POLLYANNA in particular was an example of what theatre men everywhere rated a very fine picture and they and we expected great results from it. POLLYANNA will return a fair profit, but not nearly what we had expected.

All these problems and conditions have caused us to review and appraise closely the potentials of our product in the field — picture by picture and country by country around the world. Based on this study, taking into consideration now the likely losses ahead of us, we have decided it is appropriate to write down our inventories by approximately \$5,000,000.

Before application of this write-down the consolidated net profit would have been approximately \$1,100,000. However, after taking this \$5,000,000 inventory write-down into our income accounts the consolidated net result will be a loss of approximately \$1,350,000.

At the same time, we will file for a tax refund, the net result of which will return to the Company approximately \$1,600,000 in cash.

Disneyland Park, now wholly owned, had a good year. Even though attendance was down slightly, the Park is still performing beautifully and our plans for the forthcoming year include \$2,000,000 in new capital improvements.

Having taken this \$5,000,000 write-down and now looking ahead to the new year with our strong lineup of new theatrical product — management believes the company will have a good, profitable year for the fiscal period now beginning.

Sincerely,

A handwritten signature in dark ink that reads "Roy O. Disney". The signature is fluid and cursive, with a large, stylized "R" and "D".

ROY O. DISNEY, President

NO AGREEMENT WILL BE BINDING ON THIS CORPORATION UNLESS IN WRITING AND SIGNED BY AN OFFICER



Operations

The consolidated operations of Walt Disney Productions and its domestic subsidiaries (four wholly-owned, including Disneyland, Inc.) for the fiscal year ended October 1, 1960 resulted in a loss of \$1,342,037 representing 83 cents per share on the 1,626,023 shares outstanding at the fiscal year end. This loss was after a write-down of inventories totaling \$6,006,000 with \$1,000,000 charged to the reserve provided in prior years and the balance of \$5,006,000 charged to the Income Account. The 1959 year (53 weeks) showed net profit of \$3,400,228, equal to \$2.15 per common share on the 1,581,011 shares then outstanding. A net income tax credit of \$1,300,000 was made for the 1960 year, which compared with a provision for taxes of \$3,900,000 in 1959.

Total gross income for the year was \$46,409,572 as compared with \$58,432,399 last year, a decrease of \$12,022,827. Film revenue decreased by \$7,268,872. Television income declined by \$4,641,748 due to the fact that the ZORRO and MICKEY MOUSE CLUB shows were not televised. Disneyland Park revenues increased by \$1,004,864 and all other income, including publications, character merchandising, music and records, decreased by \$1,117,071.

Financial

As a result of the purchase of the 34.48% stock interest in Disneyland held by American Broadcasting-Paramount Theatres, Inc., Disneyland, Inc. has now become a wholly-owned subsidiary of Walt Disney Productions. American Broadcasting-Paramount Theatres, Inc. received \$7,500,000 in cash and notes for their interest. Disneyland, Inc. acquired for \$2,002,500—9.21% (1,335 shares) of its outstanding common stock and Walt Disney Productions acquired for \$5,497,500 the remaining 25.27% (3,665 shares). The excess of the \$2,002,500 cost of treasury stock over the equity acquired thereby in retained earnings by Disneyland, Inc. has been charged to Consolidated Retained Earnings. The excess of the Company's cost of its 100% investment in the common stock of Disneyland over the book value of the remaining equity acquired by the Company has

been charged in the consolidated accounts to the Land account. This treatment has been authorized by the Board of Directors based upon an independent appraisal of the land owned by Disneyland, Inc. which indicates that the current value of the land at the Park is in excess of \$7,000,000.

I believe it would be of interest to our stockholders to note that during the past year the State of California has acquired for freeway purposes 2½ acres of the Studio's land for which they paid the Company \$135,000 giving a per acre value of \$54,400. The remaining 44 acres of Studio land are carried in the Land account of Walt Disney Productions at a value of \$104,000. No re-appraisal of the Studio land has been made.

The Company has acquired ranch property totaling 420 acres in the Newhall-Saugus area, about 30 miles from the Studio. While it is operated as a ranch, it is used in an important way as a location site for the shooting of motion pictures. The ranch is also available to other motion picture producers on a rental basis.

During the year the Company purchased a one-third interest in the Arrow Development Company located in Mountain View, California. Arrow Development is a small but well-recognized manufacturer of amusement park rides for the amusement industry.

Dividends

Four regular quarterly cash dividends totaling 40 cents per share and aggregating \$645,908 were declared during the year and paid to stockholders January 1, April 1, July 1 and October 1, 1960.

On January 1, 1960 a 3% stock dividend, declared October 19, 1959, was paid to stockholders of record December 3, 1959, pursuant to which 45,012 shares of common stock were issued. As a result, Earnings Retained in the Business was charged with \$1,595,225 on the basis of \$35.44 per share (the closing bid price of the common stock on the day of declaration adjusted for the stock dividend) plus \$102,187 cash paid in lieu of fractional shares. Stated Capital account was credited with \$112,530, the par value of the shares issued, and the balance of \$1,482,695 was credited to Other Capital.

The total amount charged to Retained Earnings for cash and stock dividends was \$2,343,320 during the year.

The Board of Directors on November 17, 1960 declared the quarterly cash dividend of 10 cents per share, payable January 1, 1961 to stockholders of record December 16, 1960. The stock dividend was necessarily omitted because of the loss for the year just ended.

Television

This is our seventh year with the American Broadcasting Company. Again, our current weekly WALT DISNEY PRESENTS show is being carried nationally

by the ABC network and is being telecast on Sunday evenings.

As noted in Walt Disney's letter, we are pleased to announce that we have concluded a new television agreement with the National Broadcasting Company. Beginning in the fall of 1961 our weekly hour show will be telecast nationally, and in color, over the NBC television network. We have much fine product for color television in various stages of production which together with our large library of completed product in color places us in a strong position for our entrance into color television. Our new association with N B C greatly improves our Company's position in television.



In the above photograph, the white line indicates the present Disneyland-Alweg Monorail System, $\frac{3}{4}$ of a mile in length, which has carried more than four million passengers since it was introduced at Disneyland in June, 1959. The new concrete "beam-way" or "highway in the sky" which will link the Park and the Disneyland Hotel is indicated by the colored line. Connecting to the present Monorail beam-way in Tomorrowland, the new link will leave Disneyland several hundred feet from the Santa Ana Freeway, run south alongside Harbor Blvd. to the Disneyland auto entrance, turn west across the parking lot and over West Street to the Disneyland Hotel, and return to Disneyland by passing directly in front of the Park's main turnstiles. Total length of the round trip on the new and "old" system combined will be $2\frac{1}{2}$ miles; top speed will be 45 miles per hour across the parking lot.



The \$2 million extension of the Disneyland-Alweg Monorail System will link the Park and Disneyland Hotel, and at the same time provide the first monorail in America running adjacent to a major highway (Harbor Blvd. in Anaheim, shown above). It will be completed in June, 1961.

Disneyland Park

Disneyland Park continues to enjoy its high degree of success and public acceptance. July 17, 1960 was the fifth anniversary of the Park and in that five-year period over 22,000,000 people have been our guests.

New important long-term institutional leases have been made with Hallmark Greeting Cards, American Telephone and Telegraph Company, and Sunkist Orange Growers. Negotiations are currently in progress with other fine national companies.

While attendance last year was down slightly from the 1959 record year, nevertheless revenues were up over a million dollars. Direct operating costs increased over \$800,000. Among last year's important additions was Nature's Wonderland, presenting a wide assortment of forest and desert animals in a simulated natural habitat.

Several new features are now going into work for this coming summer, including a unique Flying Saucer ride and an extension of the Monorail to a course out of the Park, across to the Disneyland Hotel, with a stop at a station there, and return to the Park. This will make a spectacular "Marquee" for Disneyland and increase the overall length of the Monorail to approximately two and one-half miles.

Other Income

Under "Other Income" on our Consolidated Statement of Income Account we group the activities of several divisions and wholly-owned subsidiaries of the Company which market and exploit the names, characters, music and other values growing out of our theatrical films, television shows, and Disneyland, the Park.

Character Merchandising revenue arising from the licensing of manufacturers to produce merchandise using our names and characters is down slightly due to this being an inbetween-year in our feature cartoon releasing schedule. With the release of our new animated cartoon feature, ONE HUNDRED AND ONE DALMATIANS, we anticipate an increase in 1961 in this division.

Revenue from publications, including books, comic magazines and newspaper comic strips, was down only slightly. All of these activities continue to move hand-in-hand around the world to provide an important volume of profitable business, and also to provide fine promotion and publicity for our theatrical and television product.

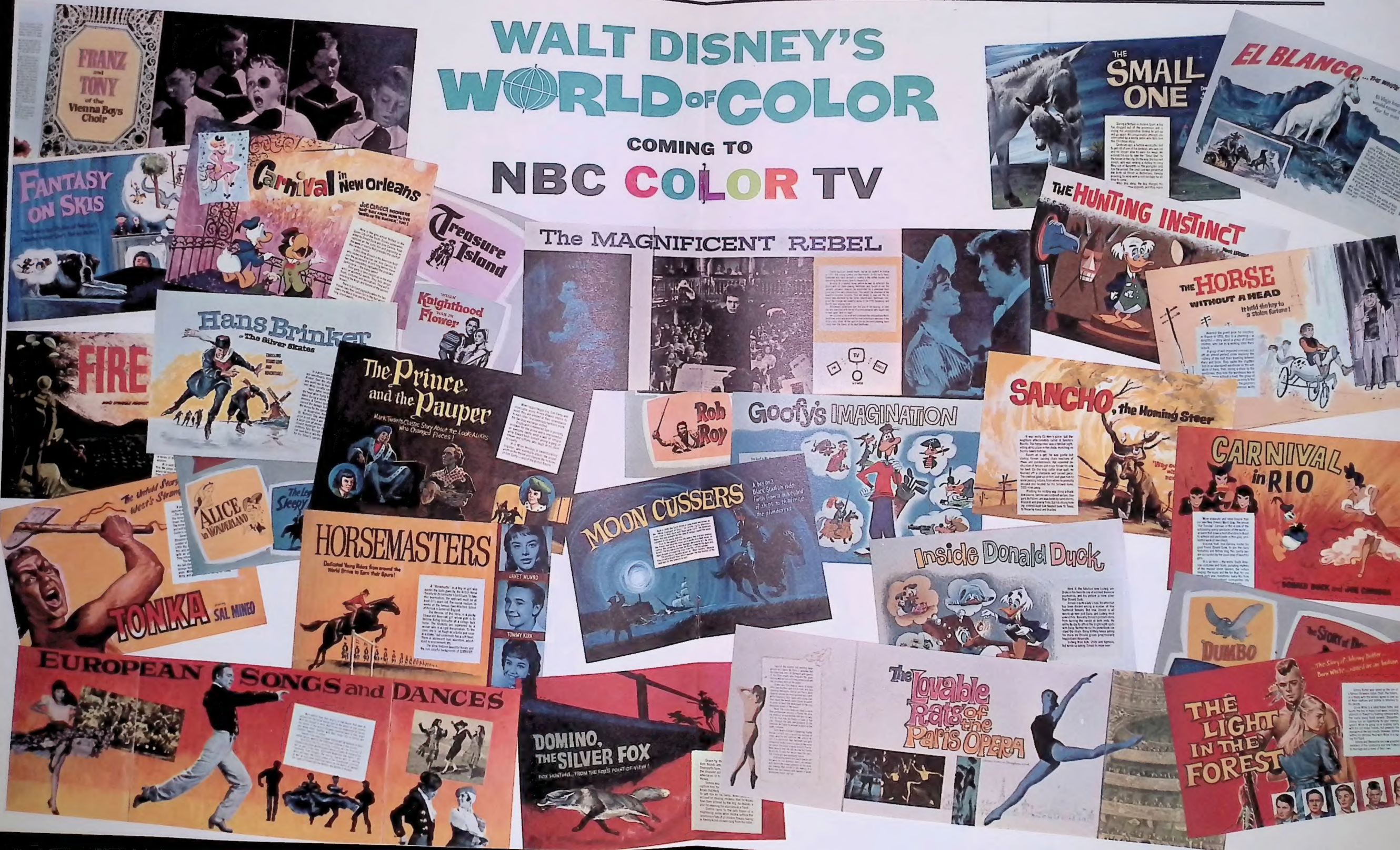
December 23, 1960

Walt Disney
President

NOW... A WHOLE NEW DIMENSION IN ENTERTAINMENT!

WALT DISNEY'S WORLD OF COLOR

COMING TO
NBC **COLOR** TV



WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES**Consolidated Balance Sheet****Assets**

	October 1 1960	October 3 1959
Current and Working Assets		
Cash (note 2)	\$ 1,976,854	\$ 2,781,039
Accounts receivable, less provision for doubtful accounts of \$67,000 and \$50,660	1,569,329	1,556,511
Estimated federal income tax recoverable	2,882,000	
	<u>6,428,183</u>	<u>4,337,550</u>
Inventories, at the lower of cost or market (notes 3 and 4) —		
Productions in process	15,047,629	15,436,469
Completed productions, less amortization	14,034,168	14,014,398
Story rights and pre-production costs	593,390	486,901
Merchandise, materials and supplies	2,737,020	2,669,898
Less — Provision for possible excess over estimated realizable amounts		<u>1,000,000</u>
Total inventories	<u>32,412,207</u>	<u>31,607,666</u>
Total current and working assets	<u>38,840,390</u>	<u>35,945,216</u>
Other Assets		
Cash surrender value of insurance on lives of officers	393,364	351,243
Investment in foreign subsidiaries not consolidated, less amortization (note 1)	63,657	63,914
Sundry other assets and deferred charges	289,453	449,009
	<u>746,474</u>	<u>864,166</u>
Plant and Equipment		
Studio and amusement park — buildings, equipment, rides and other depreciable assets, at cost (note 6)	35,734,180	33,312,325
Less — Accumulated depreciation and amortization	<u>15,108,918</u>	<u>13,091,741</u>
	20,625,262	20,220,584
Land (note 1)	5,885,610	1,678,257
	<u>26,510,872</u>	<u>21,898,841</u>
	<u>\$66,097,736</u>	<u>\$58,708,223</u>

(See notes to the financial statements on pages 12 and 13)

WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheet

Liabilities and Stockholders Equity

	October 1 1960	October 3 1959
Current Liabilities		
Bank loans (note 4)	\$11,282,906	\$12,450,055
Current installments on long term liabilities	425,000	
Accounts payable	2,217,580	2,305,515
Advances under contract	500,000	500,300
Payroll and employee benefits	1,618,943	1,505,525
Property, social security and other taxes	1,459,813	1,350,053
Estimated taxes on income (note 5)	3,774,040	4,514,579
Total current liabilities	<u>21,278,282</u>	<u>22,626,027</u>
Unearned Deposits and Rentals		
	<u>2,086,743</u>	<u>1,785,007</u>
Long Term Liabilities (note 4)		
Unsecured notes and advances — 5¾% and 5½% notes respectively, due in installments from 1961 to 1973, less \$400,000 current installment included above	9,600,000	5,000,000
6¼% note due in installments from 1962 to 1971	5,000,000	
5% subordinated notes and advances, paid in 1960		966,200
Secured notes — 6% secured by 4,400 shares of Disneyland, Inc. common stock, due in installments from 1961 to 1965	5,497,500	
3.6% bank note secured by assignment of certain royalty income of Disneyland, Inc., due March 1962	250,000	300,000
6% secured by land, less current installment included above	50,000	
	<u>20,397,500</u>	<u>6,266,200</u>
Estimated Future Federal Income Tax (note 6)		
	<u>1,725,000</u>	<u>2,000,000</u>
Minority Interest in Disneyland, Inc.		
		<u>1,633,247</u>
Stockholders Equity		
(Represented by \$2.50 par value common stock — 1,626,023 shares issued and outstanding in 1960 and 1,581,011 in 1959 of 3,000,000 authorized shares)		
Stated capital (note 7)	10,101,196	9,988,666
Other capital, per accompanying statement	3,706,899	2,721,616
Earnings retained in the business, per accompanying statement (notes 1, 4 and 7)	6,802,116	11,687,460
	<u>20,610,211</u>	<u>24,397,742</u>
	<u>\$66,097,736</u>	<u>\$58,708,223</u>

(See notes to the financial statements on pages 12 and 13)



WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Statement of Income Account

	Year Ended	
	October 1 1960	October 3 1959
Income (note 8)		
Film rentals	\$18,408,337	\$25,677,209
Television income	4,997,939	9,639,687
Amusement park income	18,100,536	17,095,672
Other income — from publications, newspaper comics, licensing cartoon characters, music and records	<u>4,902,760</u>	<u>6,019,831</u>
Total income	<u>46,409,572</u>	<u>58,432,399</u>
Costs and Expenses		
Amortization of film and television production costs (note 3)	15,354,701	19,401,902
Distribution costs — prints, advertising, etc.	5,336,224	4,243,899
Operating costs of amusement park, other than depreciation	9,745,546	8,932,343
Depreciation of amusement park (note 6)	2,264,073	3,241,930
Costs applicable to other income	3,701,914	4,364,632
General, administrative and selling expenses	9,774,791	8,923,326
Interest	1,496,605	988,840
Stories and pre-production costs abandoned	1,242,539	616,932
Estimated taxes (<i>tax credit</i>) on income (notes 5 and 6)	<u>(1,300,000)</u>	<u>3,900,000</u>
Total costs and expenses	<u>47,616,393</u>	<u>54,613,804</u>
Profit (<i>loss</i>) before minority interest	<u>(1,206,821)</u>	<u>3,818,595</u>
Minority interest in profit of Disneyland, Inc.	<u>(135,216)</u>	<u>(418,367)</u>
Profit (<i>loss</i>) for the year	<u>\$ (1,342,037)</u>	<u>\$ 3,400,228</u>
Earnings (<i>loss</i>) per share	\$ (0.83)	\$ 2.15

(See notes to the financial statements on pages 12 and 13)



WALT DISNEY PRODUCTIONS AND DOMESTIC SUBSIDIARIES

Consolidated Statement of Other Capital

	Year Ended	
	October 1 1960	October 3 1959
Balance at beginning of year	\$ 2,721,616	\$ 1,402,027
Excess of market value of shares issued as stock dividends over the par value thereof (note 7)	1,482,695	1,319,589
Excess of equity acquired in Disneyland, Inc. over cost of investment therein at June 29, 1957 transferred to Land account (note 1)	(497,412)	
Balance at end of year	<u>\$ 3,706,899</u>	<u>\$ 2,721,616</u>

Consolidated Statement of Earnings Retained in the Business

	Year Ended	
	October 1 1960	October 3 1959
Balance at beginning of year	\$11,687,460	\$10,924,436
Profit (loss) for the year	(1,342,037)	3,400,228
Less — Adjustments from acquisition of minority interest in Disneyland, Inc. at July 6, 1960 (note 1) —		
Cost of treasury stock acquired by Disneyland, Inc.	(2,002,500)	
Equity acquired thereby in retained earnings	802,513	
Provision for Federal Income Taxes of prior years		(500,000)
Dividends paid —		
In cash	(748,095)	(707,723)
In stock (note 7)	(1,595,225)	(1,429,481)
Balance at end of year (notes 1, 4 and 7)	<u>\$ 6,802,116</u>	<u>\$11,687,460</u>

Auditors Certificate

PRICE WATERHOUSE & CO.

530 West Sixth Street
LOS ANGELES 14

December 9, 1960

To the Board of Directors of Walt Disney Productions

In our opinion, the accompanying statements present fairly the consolidated financial position of Walt Disney Productions and domestic subsidiaries at October 1, 1960 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.



NOTES TO THE FINANCIAL STATEMENTS

Note 1 Principles of Consolidation

The accounts of all domestic subsidiaries have been consolidated in the accompanying financial statements and all significant intercompany transactions have been eliminated. The domestic subsidiaries are the same as at October 3, 1959. However, on July 6, 1960 Disneyland, Inc., then a 65.52% subsidiary, acquired for \$2,002,500 - 9.21% (1,335 shares) of its outstanding common stock not then owned by the Company and Walt Disney Productions acquired for \$5,497,500 the remaining 25.27% (3,665 shares). The excess of the \$2,002,500 cost of treasury stock over the equity acquired thereby in retained earnings by Disneyland has been charged to Consolidated Retained Earnings. The excess of the Company's cost of its 100% investment in the common stock of Disneyland over the book value of the remaining equities acquired by the Company has been charged to Land account in the consolidated statements in accordance with resolution of the Company's Board of Directors based upon an independent appraisal of Disneyland land.

The accounts of foreign subsidiaries have not been consolidated. These companies produce and distribute pictures, carry on the Company's character merchandising business, or publish music in various foreign countries. Royalties, dividends and other revenues received from these companies are taken into income when received in United States dollars. The Company's equity in the net assets of unconsolidated foreign subsidiaries at October 1, 1960 approximates the carrying value of its investment therein and during the year ended October 1, 1960 neither the earnings nor the dividends paid by the unconsolidated subsidiaries were material in amount.

Note 2 Restricted Cash

Cash restricted for payment of bank loans amounted to \$300,032 at October 1, 1960 and \$698,112 at October 3, 1959.

Note 3 Inventories and Amortization

Costs of completed theatrical productions are amortized by charge to income account in the proportion that the producer's share of income (net of distribution charges and print and advertising costs) received by the Company for each production bears to the estimated total of such income to be received. Such estimates of total income are reviewed periodically and amortization is adjusted accordingly.

Costs of television product are classified by season of release and amortized on the basis of each season's income under contracts with American Broadcasting Company for telecasting in the United States.

The \$1,000,000 provision for possible excess of stated value of inventories over estimated realizable amounts at October 3, 1959 was based on possible losses from certain items then in inventory and did not take into account anticipated profits on other inventory items. All known or anticipated losses on inventories have been charged to income account during the year ended October 1, 1960 and the \$1,000,000 provision at October 3, 1959, being no longer required, was applied to reduce this charge.

Note 4 Bank Loans and Long Term Liabilities

All motion pictures and television productions in process or in active release and the revenues to be derived therefrom are pledged to secure 5 $\frac{3}{4}$ % current bank loans in the amount of \$7,882,906 and lessee rents as collected and proceeds from a television license agreement are pledged to secure 6 $\frac{1}{2}$ % current bank loans in the amount of \$3,400,000. The 5 $\frac{3}{4}$ % bank loan agreement and an agreement underlying the 5 $\frac{3}{4}$ % \$10,000,000 unsecured note contain minimum working capital requirements of \$20,000,000 for the parent company alone and for the parent company and domestic subsidiaries excluding Disneyland. These requirements were met at October 1, 1960. The loan agreements also contain restrictions under which all earnings retained in the business at October 1, 1960 and approximately \$2,450,000 of future net earnings of the parent company and domestic subsidiaries excluding Disneyland are restricted as to the payment of cash dividends. However, the Company has received a waiver under its long term debt agreement which will

permit payment of dividends not in excess of \$700,000 during the 1961 fiscal year and under the current bank loan agreement permission was received to pay the dividend declared November 17, 1960. After first deducting the aforementioned \$2,450,000 from future net earnings of the parent company and domestic subsidiaries excluding Disneyland as defined in the agreement, 60% of the balance will be available for cash dividends including all cash dividends paid subsequent to October 1, 1960.

Note 5 Estimated Federal Income Tax

Representatives of the Internal Revenue Service recently completed an examination of the Company's federal income tax returns for the three years ended September 1956 and have proposed assessments of substantial amounts of additional tax. The assessments result primarily from proposed changes in the Company's method of accounting for the cost of television films and its long established method of amortizing the cost of theatrical motion picture films. The methods followed by the Company are in accord with practices generally followed in the industry. The proposed assessments made on these bases are considered by the Company as being without merit and are being vigorously protested. Accordingly no provision therefore is considered necessary and none has been made in the accompanying statements. Provision has been made for possible additional taxes from all other adjustments proposed by the examining agent.

Federal income tax returns of Disneyland for the years 1955 through 1959 are currently being examined by representatives of the Internal Revenue Service who have questioned, among other things, the propriety of deferring unearned deposits and rentals for income tax purposes. Should the Company be unsuccessful in its intended protest to any assessment on these items the unearned deposits and rentals will be placed on a net of income tax basis by transferring the amount of applicable income tax from the deferred income account to liability for federal income taxes.

Note 6 Estimated Future Federal Income Tax

As a result of a survey completed during the year ended October 1, 1960 of the estimated economic life of Disneyland Park assets, depreciation was provided for the 1960 fiscal year at a straight line rate based upon a composite life of ten years from the date the assets were placed in use. Depreciation for prior years was provided at a straight line rate based upon a composite life of seven years.

For federal income tax purposes, depreciation expense of Disneyland has been computed on the declining balance method using twice the rate used for book purposes. However, since inception Disneyland has followed the policy of providing currently for federal income taxes at the rate of approximately 52% of the net income shown in its financial statements. The excess of the aggregate provisions for federal income taxes over the liabilities shown or estimated to be shown on its tax returns for years through October 1, 1960 is included under the caption Estimated Future Federal Income Tax in the accompanying balance sheet.

Note 7 Stockholders Equity

A 3% stock dividend declared on October 19, 1959 was paid on January 1, 1960 to holders of record December 3, 1959. This resulted in a charge to Retained Earnings of \$1,595,225 with credits of \$112,530 to Stated Capital and \$1,482,695 to Other Capital.

Under a stock option incentive plan adopted in February 1960 by the stockholders, 100,000 shares of authorized but unissued common stock were reserved for issue to executive and management personnel at not less than 95% of the fair market value of the stock at the time of granting the option and are exercisable in installments during a period of five years from the date granted. At October 1, 1960 there were no options outstanding or exercisable under the plan.

Note 8 Method of Accounting for Revenue

The Company records foreign income at the time of receipt of remittances in United States dollars or at the time of expenditures of foreign currencies abroad for the account of the Company. At October 1, 1960 there was approximately \$1,700,000 (at current rates of exchange) of currencies in foreign countries representing income which has not been reflected as an asset or as income in the accompanying statements.

A TEN-YEAR

FISCAL YEARS ENDED SEPTEMBER 30

1960

1959

1958

OPERATIONS:

Gross income	\$46,409,572	58,432,399	48,577,262
Costs and expenses			
Amortization of production costs	\$15,354,701	19,401,902	13,726,269
Interest expense	1,496,605	988,840	559,328
Other costs and expenses	32,065,087	30,323,062	26,365,172
Provision for taxes on income	(1,300,000)	3,900,000	3,925,000
Total costs and expenses	\$47,616,393	54,613,804	44,575,769
Minority interest in profit of Disneyland, Inc.	135,216	418,367	136,020
Profit	\$ (1,342,037)	3,400,228	3,865,473
Net income applicable to common stock outstanding during period after providing for dividends on preferred stock outstanding in fiscal years prior to 1952 and after giving effect to 2 for 1 stock split effective August 20, 1956			
In total	\$ (1,342,037)	3,400,228	3,865,473
Per share	\$ (0.83)	2.15	2.51
Number of shares:			
Common	1,626,023	1,581,011	1,537,054

FINANCIAL CONDITION:

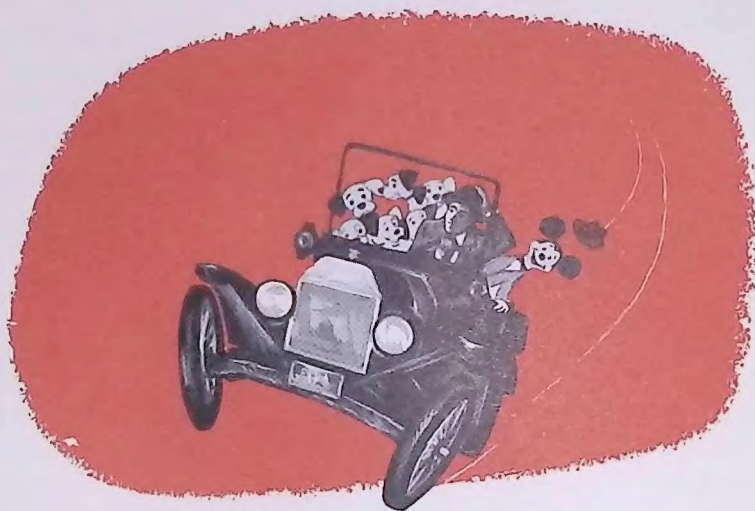
Current assets	\$38,840,390	35,945,216	30,401,444
Current liabilities	21,278,282	22,626,027	15,032,591
Net working capital	17,562,108	13,319,189	15,368,853
Land, buildings and equipment after deducting depreciation	26,510,872	21,898,841	18,274,959
Other assets and deferred charges	746,474	864,166	684,020
Unearned income	(2,086,743)	(1,785,007)	(2,381,515)
Long term liabilities	(20,397,500)	(6,266,200)	(6,591,200)
Minority interest in Disneyland, Inc.		(1,633,247)	(1,214,880)
Estimated future federal income tax	(1,725,000)	(2,000,000)	(1,935,000)
Stockholders equity	\$20,610,211	24,397,742	22,205,237
Net worth per common share after giving effect to 2 for 1 stock split effective August 20, 1956	\$ 12.68	15.43	14.45

STOCKHOLDERS EQUITY REPRESENTED BY:

Common stock	\$10,101,196	9,988,666	9,878,774
Paid in surplus			
Other capital	3,706,899	2,721,616	1,402,027
Earnings retained in the business	6,802,116	11,687,460	10,924,436
Total stockholders equity	\$20,610,211	24,397,742	22,205,237

COMPARISON

1957	1956	1955	1954	1953	1952	1951
35,778,242	27,565,394	24,638,652	11,641,408	8,365,861	7,722,819	6,287,539
12,283,777	11,326,884	12,691,652	5,154,234	4,278,601	4,382,163	2,998,376
339,460	488,837	434,926	371,333	146,715	108,987	132,105
15,380,061	11,285,132	9,009,498	4,541,989	3,065,119	2,704,860	2,520,218
3,850,000	1,841,000	1,150,000	840,000	365,000	75,000	207,000
31,853,298	24,941,853	23,286,076	10,907,556	7,855,435	7,271,010	5,857,699
275,585						
3,649,359	2,623,541	1,352,576	733,852	510,426	451,809	429,840
3,649,359	2,623,541	1,352,576	733,852	510,426	451,809	425,925
2.44	2.01	1.04	.56	.40	.35	.33
1,494,041	1,305,680	1,305,680	1,305,680	1,305,680	1,305,680	1,305,680
23,837,673	18,990,463	14,715,445	15,413,949	11,180,534	9,694,882	9,239,509
15,090,986	14,323,495	11,914,474	10,982,120	6,387,794	4,870,348	4,093,501
8,746,687	4,666,968	2,800,971	4,431,829	4,792,740	4,824,534	5,146,008
17,124,683	3,466,107	3,560,100	2,639,566	2,177,317	1,728,588	1,704,058
749,388	4,702,152	3,360,016	1,052,793	394,116	208,467	159,284
(2,361,265)	(728,960)	(588,361)	(344,038)	(317,575)	(200,827)	(451,732)
(2,373,353)	(593,740)	(243,740)	(243,740)	(244,040)	(268,630)	(717,295)
(1,078,859)						
(1,825,000)						
18,982,281	11,512,527	8,888,986	7,536,410	6,802,558	6,292,132	5,840,323
12.71	8.82	6.81	5.77	5.21	4.82	4.47
9,770,890	6,000,000	6,000,000	6,000,000	6,000,000	3,264,200	3,264,200
497,412					969,538	969,538
8,713,979	5,512,527	2,888,986	1,536,410	802,558	2,058,394	1,606,585
18,982,281	11,512,527	8,888,986	7,536,410	6,802,558	6,292,132	5,840,323



LOOK OUT!

Here comes

"The ABSENT-MINDED PROFESSOR"